BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE COMMISSION'S REVIEW OF DELAWARE'S RETAIL ELECTRICITY PRICING AND POTENTIAL LONG TERM APPROACHES TO SECURE LOWER PRICED ENERGY (OPENED AUGUST 19, 2014)	))))))	**DOCKET NO. 14-0283**

Written Comments of Delmarva Power & Light Company In Response To The April 29, 2016 "Final Report and Recommendations" of London Economics International

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Dated: August 31, 2016

A. INTRODUCTION

This docket was opened "*for the purpose of reviewing Delmarva's current Standard Offer Service approach and whether such an approach will lead to lower energy supply costs over the long-term for a period of 20 to 25 years.*"[1] The Commission further provided that "*the docket shall also consider other options for Delmarva to secure Standard Offer Service that could lead to lower ratepayer costs over the longer term.*"[2] The Commission directed Commission Staff and Delmarva Power & Light Company ("Delmarva Power" or Delmarva") "*to collaborate in the review process....*"[3]

Staff retained London Economics International ("LEI") as a consultant to assist with the review. Multiple working group sessions were held that included consultants from LEI, Staff, the Delaware Public Advocate (DPA) and other participants, including the Caesar Rodney Institute (CSI). On or about April 29, 2016, LEI produced a document labeled "Final Report and Recommendations" (the "LEI Report" or the "Report").[4]

Delmarva Power found working with LEI to be a positive experience. LEI's consultants acted in an open and professional manner throughout the process. Further, Delmarva found the LEI Report to be comprehensive and informative. As described in these comments, however, Delmarva Power disagrees with LEI's recommendations.

In the Report, LEI first discusses the current Commission-approved standard offer service ("SOS") procurement model, which consists of conducting Commission-monitored annual "reverse auctions" in which multiple bidders compete to provide the lowest price to Delmarva's

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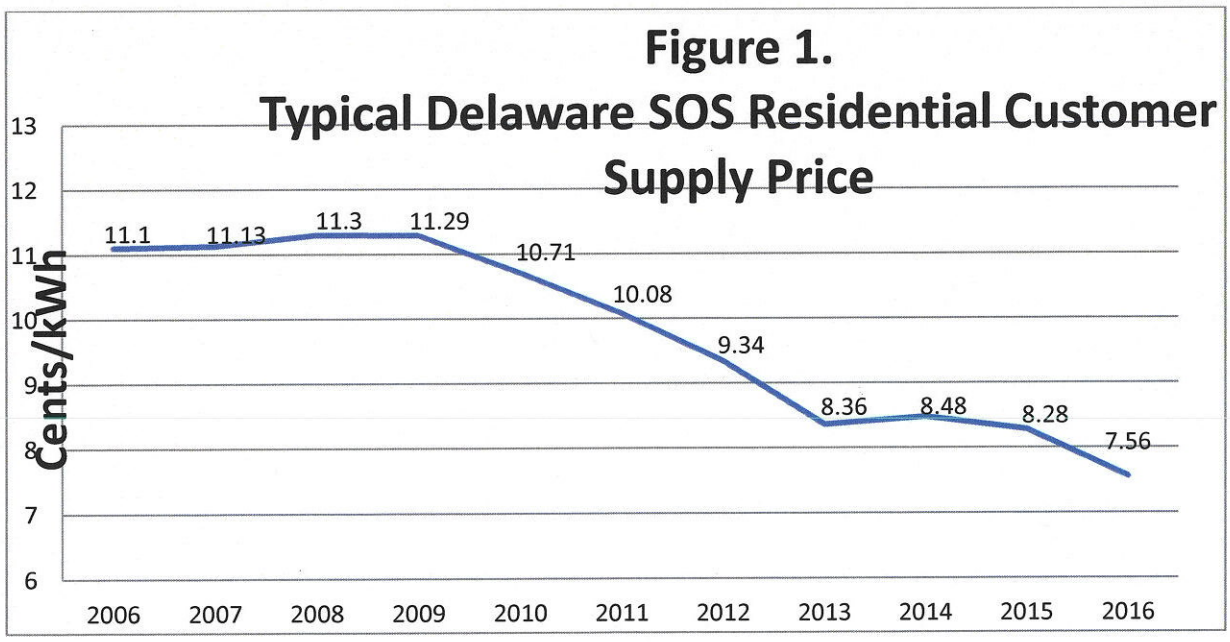
[1] Order No. 8619 at ¶1, PSC Docket No. 14-0283, September 30, 2014
[2] *Id.* at ¶2.
[3] *Id.* at ¶3.
[4] As addressed later in this document, although the LEI Report is labeled "Final Report and Recommendations," the LEI Report states that "[s]hould the PSC decide to pursue a portfolio approach, additional modeling and testing may be necessary to refine the optimal risk-adjusted portfolio...." LEI Report at pg. 10.

SOS customers. The lowest bidders are awarded 3 year fixed price, full requirement service ("FRS") contracts. The FRS contracts are "load following," which means that the SOS suppliers must provide the amount of electricity actually required by Delmarva's SOS customers.

Under the current SOS procurement model, 1/3 of Delmarva's total SOS load is contracted for each year using the 3 year FRS contracts, which means that only 1/3 of the total SOS load comes up for renewal each year. As a result, only 1/3 of the SOS load can be subjected to annual price swings. This method of 1/3 overlapping 3 year FRS contracts has served to insulate Delmarva Power's SOS customers from significant annual price swings. In addition to successfully insulating customers from significant annual price variations, the current 3 year overlapping FRS contracts have resulted in SOS supply prices that have been stable or declining since inception, even through extreme weather events such as the 2014 Polar Vortex. Figure 1 below shows the SOS supply price for a typical Delmarva Power SOS residential customer since 2006, when the current SOS procurement process was implemented, though 2016.



The LEI Report reviewed the pros and cons and addressed the risks of potentially using four different alternative options for procuring SOS: (1) spot market purchases, (2) long term contracts, (3) Delmarva Power owned generation and (4) FRS contracts. The Report concluded with the recommendation to change from the current SOS procurement model to a managed portfolio approach ("Portfolio Approach" or "Portfolio"). LEI's recommended Portfolio Approach would use a combination of three of the four procurement options reviewed in the Report.[5] The Portfolio for supplying the entire 900 megawatt load of Delmarva's SOS customers would be composed of the following:

1. two-year laddered FRS contracts (**30%** of total SOS load)[6],
2. ten year laddered fixed quantity contracts (**40%-45%** of total SOS load)[7], and
3. purchases from the spot markets (**25%-30%** of total SOS load).[8]

While Delmarva strongly supports the Commission's exploration of alternative SOS models, it does not support LEI's recommendation to create a managed Portfolio to procure electricity for Delmarva Power's SOS customers. Delmarva further believes that the continued use of a modified FRS procurement structure will best meet the needs of SOS customers.

B. THE CURRENT SOS REVERSE AUCTION PROCESS WITH LADDERED 1/3 OVERLAPPING 3 YEAR FULL REQUIREMENTS SERVICE CONTRACTS

The current SOS process is reasonable and consistent with the Commission's guidelines to provide the most competitive prices for customers while maintaining a reasonable level of price stability. The procurement objectives of the SOS process are very clear and are based on

[5] LEI does not recommend Delmarva Power ownership of generation facilities, which Delmarva agrees with.
[6] 30% of total SOS load is 270 megawatts.
[7] 40-45% of total SOS load is approx. 400 megawatts.
[8] 20-25% of total SOS load is approx. 230 megawatts.

three critical components: (1) price stability, (2) supply reliability and (3) lowest cost to Delaware customers. The first two components (price stability and supply reliability) *cannot* be forsaken to achieve the third (lowest cost). All three components must be addressed, meaning the *lowest cost* must be for a *reliable supply* of *stably priced* electricity.

It is also critically important to note that Delmarva's Standard SOS is a "default" supply service made available to any customer who: (1) chooses not to choose a retail choice supplier, (2) who is unable to obtain competitive retail electric choice service or (3) whose competitive retail electric choice service is interrupted. The purpose of SOS service is *not* solely to provide the lowest cost available; in fact, the purpose of *retail choice* is to give retail choice suppliers a reasonable opportunity to compete to offer better price than SOS. The purpose of SOS is to provide a stable, less risky, well priced supply alternative for those customers who, for whatever reason, do not choose a third party retail choice supplier. SOS supply also serves as an important "safety net" for customers to return to if necessary. By way of a few examples, SOS service has been there for customers to return to in the following circumstances: (1) when customers who did not realize that the retail electric choice agreements they entered into permitted their retail providers to significantly raise rates, (2) when retail electric suppliers have decided to stop providing retail electric choice to customers, and (3) when retail electric suppliers went into bankruptcy and ceased operations during the 2014 Polar Vortex.

The current Commission approved reverse auction process used by Delmarva is designed to achieve SOS prices that are stable, reliable and low. One third of the residential SOS load is offered annually to dampen price variability for customers. Three year contracts are procured to create price stability and FRS contracts are procured to minimize risks for SOS customers.

1. The Current SOS Procurement Process Includes Effective Commission Oversight And Has Resulted In Reliable Supply With Prices That Are Consistently Stable And Aligned With The Market

The Commission has never accepted the outcomes of the annual SOS reverse auctions on their face. Instead, the Commission and its Staff proactively ensure that electricity prices procured through the reverse auctions and laddered FRS contracts are in alignment with market prices. Before the FRS contracts executed by the winning SOS bidders are approved by the Commission, the results are subjected to independent analysis by the Commission's experienced market monitor consultants. Only after the consultants have established, to the satisfaction of the Commission, that the auctions have resulted in SOS prices that are in the public interest will the SOS auction outcomes receive Commission approval. For example, the March 2016 report issued by the Commission's market monitor consultant, Liberty Consulting Group, concluded: "the ultimate winning bids were consistent with expectations given regional market conditions."

2. The Current SOS Model Promotes Retail Customer Choice

It is important to point out that the current SOS procurement model also promotes customer retail electric supply choice by helping both customers and competitive retail choice suppliers understand and compare price offerings in the market place. Customers can compare their all-in SOS fixed priced rate to the many offers of competitive retail suppliers. Delaware's efforts to promote retail competition are aided by having the SOS contract prices fixed for one year. As described above, the laddered 1/3 contracts further result in SOS prices that do not change dramatically from year to year, allowing retail suppliers to develop and offer a competitive price alternative to SOS.

3. LEI's Proposed Portfolio Approach Would Damage Choice

Conversely, LEI's proposed Portfolio Approach for SOS would have Delmarva Power make regular purchases in the volatile energy spot market for up to 30% of SOS customer needs. Spot market purchases would result in significantly less stable SOS prices. Not only would spot market purchases subject SOS customers to the volatility of the spot market, but because the SOS price would be less stable and would change according to the volatile daily spot market, it would be far more difficult for competitive retail suppliers to develop and offer a competitive price alternative to SOS.

4. The Current SOS Procurement Model Provides SOS Customers With The Benefits Of a Portfolio Model Without Subjecting SOS Customers to the Risk Of a Utility Managed Portfolio

Delaware customers already receive the benefits of competition based on a portfolio model approach. The winning SOS suppliers who currently provide SOS customers with electricity pursuant to the laddered FRS contracts employ portfolio models to meet their SOS load obligations. Unlike Delmarva Power, however, these SOS suppliers are experts in both energy portfolio modelling and the significant specialized risk management that accompanies managed energy portfolios. Strong risk management principles embedded within an energy portfolio model are necessary for these competitive energy companies to ensure business continuity and longevity. In addition, well-developed infrastructure and personnel are already in place to manage SOS supply portfolios cost-effectively and efficiently as they capitalize on economies of scale by spreading costs over a large number of customers that include customer loads much larger than Delaware. These companies manage their businesses through the use of various specialized and proprietary physical and financial products (short, medium, and long-

term physical contracts, financial swaps, financial collars, options, generation assets, etc.). The SOS providers use complex risk management strategies to mitigate portfolio risk and are structured to absorb accounting treatment of the instruments they employ. Moreover, the vast majority of the winning SOS providers under the currently utilized FRS model own significant generation resources.

LEI does not recommend Delmarva-owned generation resources, but generation resources create a much more effective managed portfolio to serve customer electric load. The majority (if not all) of SOS suppliers serving customers in Delaware own and/or operate dispatchable physical generation resources as part of their supply portfolio. Generation resources have the ability to effectively hedge customer load obligations and allow suppliers to be more competitive in offering load following services. A balanced portfolio of generation assets, including base load, intermediate cycling and peaking units, to manage the load variability of residential and small commercial loads, especially during periods of extremely hot and cold weather, is fundamental to effectively managing a portfolio.

Delmarva understands that it is important to review the SOS procurement model periodically and fully supports this initiative. Delmarva Power cannot, however, support what it sees as an ill-advised move to a managed Portfolio Approach. Suppliers competing for SOS load within the current FRS structure insulate customers from numerous supply risks, including load, weather, market volatility, and price. The currently used FRS contracts shift price, quantity and execution risk to the SOS suppliers and provide SOS customers with a fixed price.

C. LEI's RECOMMENDATION TO OBTAIN 30% OF SOS LOAD FROM THE SPOT MARKET WOULD POSE SIGNIFICANT UNNECESSARY PRICE RISK FOR DELMARVA'S SOS CUSTOMERS

Electricity is not a storable commodity, so electricity prices are highly susceptible to sudden large price changes. LEI's proposed Portfolio would obtain 30% (*approximately 230 mWs*) of SOS supply from daily spot market purchases. Delmarva Power believes that purchasing electricity on a daily basis would unnecessarily place SOS customers at risk for price volatility. Weather events, transmission outages, congestion and generation issues would increase price volatility for SOS customers. Conversely, under the current SOS procurement model with the FRS contracts, the SOS suppliers, who are sophisticated energy portfolio managers with well-developed infrastructure and access to more expertise and resources, absorb all price volatility risks as part of their own portfolios.

D. LEI's 10 YEAR FIXED CONTRACT RECOMMENDATION WOULD SHIFT SIGNIFICANT RISK FROM SOS SUPPLIERS TO SOS CUSTOMERS AND WOULD DAMAGE THE RETAIL ELECTRIC CHOICE MARKET

1. LEI's Recommended Long Term Fixed Quantity Contracts Would Shift Significant Risk To Delmarva's SOS Customers

Volumetric or quantity risk, caused by uncertainty in electricity load, is another key risk exposure that SOS customers are currently protected from under the currently used FRS contract process. Under the FRS contracts, existing SOS suppliers must provide a "load following" service at a fixed price, which means they are obligated to serve the varying volumetric demands of SOS customers at fixed prices. Volumetric risk can appear when purchasing spot power in the PJM real time market as unexpected market events can result in highly variable customer usage as it did during the Polar Vortex winter of 2014. It can also appear through reduced customer loads, such as when customers choose to leave SOS or when weather conditions are milder than planned for. Reduced customer loads can be very damaging to SOS suppliers as this can result

in the supplier having purchased more electricity than needed to serve its load obligations. Each megawatt of over supply would be liquidated in the PJM market and would typically be sold at a loss.

Because LEI's proposed Portfolio Approach includes ten year laddered *fixed quantity* contracts for 40%-45% of total SOS load, it is important to understand the fundamental difference between such *fixed quantity* contracts versus the FRS contracts used for 100% of the current SOS load. Fixed quantity means that the quantity of energy purchased is fixed at a certain megawatt level. If additional quantities of energy are required due to increased SOS customer load, the contracted supplier is not required to provide that energy. The shortfall must be obtained from another source at unknown prices. Similarly, if the SOS load is less than expected, the excess fixed purchase obligation must still be purchased and then sold off at spot market prices, which could be significantly lower than the contract purchase price. Under fixed quantity contracts like those recommended by LEI, the volumetric risk, with its potential for significant losses, is borne by SOS customers through the impact on SOS rates.

Conversely, customers are insulated from all volumetric risk through the FRS contracts currently used for Delmarva Power's entire SOS load. FRS contracts are "load-following," which means that the SOS suppliers are required to match real time customer load requirements so no excess or shortage results. Consequently, if, for example, SOS load increases dramatically in a response to an extreme weather event, the FRS contract will cover the increases at the fixed contracted price. The suppliers are required to provide energy, capacity, and ancillary services necessary to serve a specified percentage of default service load 24 hours a day, for the term of the FRS contract. The risk of providing essential electricity services to SOS customers is borne entirely by the suppliers, not the SOS customers.

Under LEI's proposed managed Portfolio Approach, both price risk and volumetric risk would fall squarely on Delaware SOS customers. Spot market purchases, which under the LEI proposal would constitute 25-30% of the total SOS supply, would place price risk on the backs of SOS customers. LEI seeks to lessen the severe price risk of its recommended spot purchases by recommending that 40%-45% of total SOS load be secured through 10 year fixed price/fixed volume contracts. If, however, SOS prices turn out to be more expensive compared to the market, customers will exit SOS service and go to a competitive supplier, causing significant volumetric risk. Delmarva's portfolio would have excess volume with no home for the 10 year fixed volume/fixed price contracts. The customers who do stay on SOS will be forced to absorb the costs of the inefficient portfolio.

2. LEI's Recommended 10 Year Fixed Volume Fixed Price Contracts Would Significantly Increase The Risk Premium and, Therefore, Prices For SOS

From the perspective of an energy supplier, 10 year contracts carry significantly heightened price uncertainty because long-term power forward curves are difficult to assess, especially for periods longer than three years, since electricity and capacity prices beyond three years lack transparency. Suppliers who deal with long term arrangements use their own proprietary models and assumptions to construct proprietary long term forecasts. Moreover, because 10 year fixed price contracts are risky for the suppliers themselves, long term contracts must include significant risk premiums built in to them to account for uncertainties and expected costs over the long contract period. These "risk premiums" tend to significantly increase SOS prices for customers.

Delmarva and its customers have first-hand experience with incurring the price risk associated with long term contracts. Consistent with state policy, Delmarva Power executed

three long term wind contracts to purchase renewable energy credits ("REC's") and electricity. At the time the three long term land based wind contracts were executed, the long term contract prices for both electricity and RECs appeared favorable to customers. Two different respected independent consulting groups (one retained by Delmarva Power and the other retained by Staff) concluded that both the energy and REC prices in the three long term wind contracts would be at or close to market prices over the terms of the contracts. Unfortunately, however, due to the difficulty and high risk involved in long term pricing models, the consultants, upon whose guidance Delmarva Power, Commission Staff and the Commission itself relied, were incorrect. The wind contracts are all above market in terms of cost for both electricity and RECs. To be perfectly clear, Delmarva Power is not criticizing the consultants or any of the parties who reasonably relied upon them; rather, Delmarva is merely pointing to the uncertainty and significant risk associated with long term market pricing for such commodities.

It is equally important to note that price uncertainty created by long term contracts can also result in below market or favorable electric prices. That *less likely* below market potential also carries risks, however. For example, as part of the transition to choice, Delmarva executed long term contracts for electric supply in 1999. Those long term contracts turned out to be significantly under market during the latter years of those contracts. As a result, Delmarva's SOS customers experienced unprecedented price shock in 2006 at the end of the contract term when supply prices increased by approximately 59%. Had the current SOS structure of overlapping laddered 1/3 FRS contracts been in place in 2006, the price shock experienced by customers would have been dramatically less.

3. LEI's Recommended Long Term Fixed Quantity Contracts Would Damage The Retail Electric Choice Market In Delaware

Finally, long term SOS supply contracts run counter to another important goal of this Commission and the State of Delaware – creating and maintaining a healthy retail electric choice market. In fact, Docket No. 15-1693 is currently pending before this Commission to explore how to remove obstacles to retail electric choice.[9] During the most recent workshop in this docket, the Retail Energy Supplier's Association ("RESA"), the trade association representing retail electric choice suppliers, emphasized its objection to long term contracts for SOS supply. RESA explained that long term SOS contracts often serve to drive away competitive retail suppliers from the market, basically eliminating retail choice options for customers.

The proposed 10 year fixed quantity/fixed price contracts for 25-30% of Delmarva's SOS customer load would be imprudent for multiple reasons. Such contracts would subject SOS customers to significant volumetric risk. Long term fixed price contracts carry increased risk premiums resulting in higher prices. Finally, retail electric choice suppliers in Delaware object to the proposed long term contracts as being detrimental to retail electric choice in Delaware.

E. LEI'S RECOMMENDATION TO PROCURE ONLY 30% OF SOS LOAD THROUGH LADDERED SOS FRS CONTRACTS WOULD PROVIDE LITTLE PROTECTION FOR CUSTOMERS AND WOULD RESULT IN HIGHER FRS CONTRACT PRICES

The third component of LEI's proposed Portfolio Approach - two-year laddered FRS contracts to provide 30% of total SOS load - is intended by LEI to help offset the significant risks borne by customers under the other two components (1. - spot market purchases and 2. - long term 10 year fixed contracts). The recommendation of 2 year FRS contracts also presents problems.

[9] Docket 15-1693 was opened in response to a petition filed by the Electric Affordability Committee (or EAC). PSC Order No. 8845 in PSC Docket No. 15-1693 (January 19, 2016).

First, unlike the current SOS structure, which insulates customers from risks by obtaining 100% of the SOS load through overlapping, laddered, load following FRS contracts, the LEI proposal would use FRS contracts for only 30% of the load, thus leaving at least 70% of the SOS supply at risk. Accordingly, the proposed 30% FRS contracts would provide very little protection to SOS customers.

Second, it is likely that, because the amount of SOS supply available for FRS auctions would drop from the current model of 100% (900 megawatts) to only 30% (270 megawatts), suppliers who traditionally bid on Delmarva's SOS load will be less likely to bid because the volume is too small. SOS suppliers are more likely use their resources to participate in more substantial procurements in other jurisdictions with significantly larger loads. The resulting reduction in SOS bidder competition for the smaller scale 30% version of the FRS contracts could result in higher prices that are not reflective of market conditions. The importance of attracting sufficient bidders to provide robust bidding competition for the annual SOS FRS auctions is consistently emphasized by the Commission's market monitor consultant, Liberty Consulting Group.

F. LEI's PORTFOLIO APPROACH WOULD RESULT IN SIGNIFICANT ADDITIONAL COSTS THAT ARE NOT CONSIDERED IN THE LEI REPORT

1. Significant Additional Resource Costs Would Need to Be Incurred To Appropriately Manage An SOS Energy Portfolio

Delmarva Power does not have the resources to manage a supply portfolio of the kind recommended by LEI. Appropriate energy portfolio management requires specialized employees, capital, software and technology that Delmarva Power and PHI do not possess.

For example, proper portfolio management would require daily load management activities that would encompass, for example: deal execution and reporting, short-term demand

forecasting to provide system load projections, and a weather service equipped with a meteorologist on staff. Meteorologists not only provide 10 day forecasts, but also project and track unusual weather patterns like tropical depressions, hurricanes and cold weather events. At least two experienced energy traders would be necessary to handle the daily spot market purchases. Depending on the PJM delivery locations of the long term deals held in the portfolio, the Company would need to engage in FTR/ARR trading to mitigate congestion risk. From a "back-office" perspective, risk management oversight, credit monitoring and management, accounting, audit, legal, regulatory and PJM involvement to monitor rule changes and PJM compliance would increase. Finally, expertise in the deal valuation of the intermediate and long term contracts would be needed to ensure the deal terms are appropriately aligned with the market.[10]

Increased personnel costs would only constitute a portion of the additional expenses added to SOS rates. Dedicated physical space would need to be obtained to house the portfolio management personnel and equipment. Costly systems would need to be purchased to provide long-term forecasting for critical daily mark-to-market valuations on positions. In addition, a risk management system would be required to capture all deals and to implement controls. Developing these extensive resources would constitute significant additional costs that would need to be recovered through SOS rates. During the working sessions, LEI candidly confirmed that its analysis and recommendation did not take these additional costs into consideration.

One might think that Delmarva Power could avoid the need for Delmarva itself to *directly* incur those significant additional resource costs by retaining a third party portfolio

[10] Although some of the accounting, audit, legal and regulatory costs could be provided by the Company's parent organization, those additional costs would be allocated to SOS rates. The other significant additional personnel resources would need to be dedicated and paid for 100% through SOS rates.

management company to manage the proposed SOS Portfolio. There is no doubt, however, that the cost of retaining a third party portfolio manager would also include those same expenses. Whether Delmarva Power incurs the additional portfolio management resource costs directly or incurs analogous costs in the form of a third party energy portfolio manager, the result would be the same: Delmarva's SOS customers would pay for those costs through SOS rates.

2. The Significant Additional Cost of Imputed Debt

Another significant cost that LEI confirmed it did not consider in its analysis and recommendations is imputed debt. Due to the risks involved in long term power purchase contracts, rating agencies recognize such contracts as debt on a utility's balance sheet. The effect of that imputed debt is that equivalent equity must be raised to offset the imputed debt. LEI's recommendation that Delmarva Power execute long term ten-year power purchase agreements for 40%-45% of total SOS load could result in tens of millions of dollars of imputed debt, the cost of which would be borne by customers through increased rates.[11]

3. Significant Additional Costs Must Be Incurred To Further Explore And Consider Whether Delmarva Should Be Ordered To Adopt A Managed Portfolio Model

Finally, as LEI states in the Report, additional modelling and testing may be necessary to refine the proposed Portfolio before the Commission would order Delmarva Power to change from the current SOS procurement structure to a Portfolio model.[12] Moreover, a potential Commission order requiring Delmarva Power to move to a Portfolio approach for SOS would

[11] Rating Agencies have elevated concerns with long-term power purchase contracts that service SOS, due to the risk of customer migration from SOS to retail choice. As described earlier in these comments, the proposed long term contracts are for a fixed amount, which creates "load risk." If load is less than expected (one reason could be customer migration to choice providers), then Delmarva would be forced to purchase the power and sell if for a loss in the spot market.

[12] The LEI Report states that "[s]hould the PSC decide to pursue a portfolio approach, additional modeling and testing may be necessary to refine the optimal risk-adjusted portfolio...." LEI Report at pg. 10.

constitute a "case decision" under the Delaware Administrative Procedures ACT ("APA").[13] Accordingly, once the additional "modelling and testing" recommended by LEI has been completed, the APA would require a "formal, public evidentiary hearing"[14], at which Delmarva and other parties would be permitted to submit evidence and cross examine witnesses.[15] The additional modelling and testing costs recommended by LEI and the necessary evidentiary hearings would all result in additional time, expense, and therefore, additional costs for SOS customers.

G. CONCLUSION

The current Commission approved SOS procurement structure of using a competitive auction process to obtain short term overlapping FRS contracts to fulfill 100% of Delmarva's SOS customer load has numerous significant and proven advantages over the proposed managed Portfolio Approach. Those advantages include:

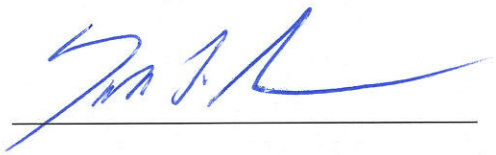
- A proven track record of price stability,
- Risks borne almost entirely by SOS suppliers rather than by SOS customers,
- A transparent and established process with proven monitoring and verification protocols,
- Supply prices reflective of market conditions,
- Demonstrably sustainable Commission approved processes, and
- A process and format that has proven to consistently attract robust competitive bidding from multiple suppliers.

[13] 29 Del. C. §10102(3).
[14] 29 Del. C. §10124.
[15] 29 *Del. C.* §10125.

The Portfolio Approach recommended by LEI would significantly reduce those benefits and protections for Delmarva Power's SOS customers, while likely leading to higher prices, increased costs and a damaged retail electric choice market.

Delmarva Power supports the exploration of alternative SOS models and as stated herein, respects the professionalism and thoroughness of LEI and its consultants. The manner in which this docket was managed by Commission Staff was a particularly useful and collaborative one. Delmarva Power cannot, however, support LEI's recommend Portfolio Approach and respectfully urges the Commission not to pursue the proposed Portfolio Approach any further.

Delmarva Power & Light Company



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Certificate of Service

The undersigned certifies that Delmarva Power's Written Comments in Response to the April 29, 2016 "Final Report and Recommendations" of London Economics International was filed in DelaFile, which automatically provides notices of service to registered users on the Service List in this Docket. Courtesy copies were also provided by electronic mail.

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